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Message Text

CONFIDENTIAL

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53
ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIA-15 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 DRC-01 /164 W
---------- 014238
R 031338Z DEC 73
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 6734

C O N F I D E N T I A L SANTIAGO 5895

EO 11652: GDS
TAGS: ECON, EFIN, CI
SUBJ: IMF MISSION REACHES AGREEMENT WITH GOC

1. CARLOS SANSON, HEAD OF VISITING IMF MISSION, GAVE EMBOFF FOLLOWING DESCRIPTION OF STABILIZATION PROGRAM WHICH GOC AND FUND STAFF HAMMERED OUT IN MARATHON MEETINGS NOV 28-30:

A. BUDGET DEFICIT WAS REDUCED 90 BILLION ESCUDOS BY LOWERING EXPENDITURES 45 BILLION ESCUDOS AND RAISING TAXES BY 45 BILLION ESCUDOS. NEW TAXES WILL BE MAINLY ON INCOME AND CAPITAL. PLANNED BUDGET NOW HAS DEFICIT OF ONLY 6 PERCENT OF TOTAL EX-PENDITURES.

B. JANUARY WAGE READJUSTMENT WILL BE 60 PERCENT INCREASE OVER SALARY AND BONUSES CHILEANS RECEIVING IN DEC 1973. SUPPLEMENTAL READJUSTMENT WILL BE GIVEN IN JUNE OR JULY 1974.

C. FUND AND GOC HAVE AGREED ON 1974 INFLATION TARGET OF 50-100 PERCENT, WITH HIGHER END OF RANGE RECOGNIZED AS MORE REALISTICE.

D. FUND AND GOC NEGOTIATED BALANCE OF PAYMENTS GAP DOWNWARD FROM $300 MILLION TO $210 MILLION WHICH MUST BE CONFIDENTIAL

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COVERED BY NEW CREDITS. PRESENT EXCHANGE POLICY OF DE-

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VALUATION BANKERS' RATE AND REVALUATION BROKERS' RATE WILL CONTINUE SO AS TO REACH UNIFIED RATE BY MID-1974.

E. IMF MISSION PLANS TO LEAVE CHILE DEC 4. IT WILL RECOMMEND TO XUS DIRECTORS IMF CREDIT OF APPROXIMATELY $95 MILLION ON BASIS OF ABOVE PROGRAM.

2. CENTRAL BANK PRESIDENT CANO PROMISED EMBOFF THAT COMPLETE CENTRAL BANK DATA ON BALANCE OF PAYMENTS, ETC., WOULD BE GIVEN EMBASSY DEC 5. DATA WILL BE POUCHED TO DEPT WHEN RECEIVED.
THOMPSON

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